

APPROVED
MINUTES OF THE REGULAR MEETING OF THE
ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY

Wednesday, October 4, 2006

2-A

The meeting convened at 7:05 p.m. with Chair Johnson presiding.

1. ROLL CALL

Present: Beverly Johnson, Chair of Alameda
Doug deHaan, Boardmember, City of Alameda
Frank Matarrese, Boardmember, City of Alameda
Tony Daysog, Boardmember, City of Alameda

Absent: Marie Gilmore, Boardmember, City of Alameda

2. CONSENT CALENDAR

2-A. Approval of the minutes of the Regular Meeting of September 6, 2006.

Approval of 2-A was motioned by Member deHaan, seconded by Member Matarrese and passed by the following voice vote: Ayes – 4; Noes – 0; Abstentions – 1.

2-B. Approval of Subleases at Alameda Point.

Member deHaan had questions about two of the subleases due to their duration and requested information about the specific tenants, as well as an overview of current leasing prospects. Nanette Banks, Finance and Administration of DSD, explained that TransFreight Express wants to relocate their corporate headquarters and distribution center at Alameda Point. The other lease is to Makani for Building 19 to be used as R&D and office space. It is an alternative energy (wind-based) company that may also be interested in using the runways for experiments. Leslie Little, Development Services Manager, indicated that there continues to be ongoing interest in the buildings at Alameda Point, but pointed out the obviously expensive building improvements necessary to make them usable, which tends to limit some potential businesses.

Approval of 2-B was motioned by Member deHaan, seconded by Member Matarrese and passed by the following voice vote: Ayes – 4; Noes – 0; Abstentions – 1.

2-C. Recommendation to authorize the Executive Director to Execute a contact agreement with WRT/Solomon E.T.C. in the amount of \$250,000 to complete Station Area planning activities for Alameda Point.

Member deHaan inquired about the source of the \$250,000 and whether we are in a position today to approve the contract, given the master developer situation. Debbie Potter, Base Reuse and Community Development Manager, explained that this is pursuant to a \$250,000 grant received from MTC – with City contribution of \$3,000 – for the purpose of more detailed planning of the transit node. To not go forward at this time means losing the grant. This study will impact future land development plans; traffic and transit issues will need to be addressed regardless of who the developer is.

There was one speaker on this item, Diane Lichtenstein, who praised the four workshops outlined in the contract and requested that after each workshop a summary report to be generated (perhaps in the local newspaper as well as the City's website). She also recommended expanding the scope of the ferry analysis beyond the half-mile radius of the station as presently indicated. She also requested that all drafts of the report be available electronically.

Approval of 2-C was motioned by Member Matarrese, seconded by Member deHaan and passed by the following voice vote: Ayes – 4; Noes – 0; Abstentions – 1.

3. REGULAR AGENDA ITEMS

3-A. Status Report on East Bay Regional Park District Request for Long-Term Lease.

Debbie Potter, Base Reuse and Community Development Manager, stated that, at the September ARRA meeting, East Bay Regional Park District (EBRPD) representatives Doug Siden and Mike Anderson indicated that EBRPD is ready to begin funding improvements at the 26-acre Enterprise Park through the use of Measure AA and Proposition 12 money (totaling \$500,000). A portion of the Proposition 12 funds (\$100,000) specify that land must be secured by the end of this year, and the project must be completed and the money expended by the end of next year. It also requires a 20-year lease on the land. According to the staff report, there could be a smaller, Phase 1 lease or a lease for the entire 26 acres. There are several other leases in place that encumber some portions of the 26 acres, including Alameda Soccer Club (until 2008) and the Hobby Shop (until 2010).

Member Daysog mentioned that 11 years ago, there was concern that EBRPD wanted an RV parking lot as part of their plan for this land. Ms. Potter confirmed that this is no longer an option.

Doug Siden, elected EBRPD representative, reiterated the funding and timing requirements. He introduced Mike Anderson, Assistant General Manager, who presented a map of the proposed area and plans. It consists of 10.6 acres and excludes current leased properties. Ultimately, the District would like the entire 26 acres but could start with this plan. Proposed plans include family picnic sites, clean up of the tennis and basketball courts, development of the shoreline trail to tie to the existing beach area, and clean up of the beach and boat launch areas. Future plans include a natural planning resource area and interpretive center, as well as boating instruction at the marina.

Chair Johnson pointed out that other community groups have looked at this site, and also questioned what would happen if the community would rather keep some of the facilities as they are. Mr. Anderson responded that if the City prefers to have more community input about use of this area, EBRPD could either use \$100,000 of the funds somewhere else in order to not lose them – trimming their ultimate project to \$400,000 – or use that first \$100,000 to simply clean up the beach area and shoreline trail. Chair Johnson stressed that more community feedback about what type of use for the area is preferable is needed before committing to a 20-year lease. Member Matarrese felt that the primary areas to spend the \$500,000 should be the beach, bay trail and picnic grounds. Mr. Anderson agreed that this should be doable and hoped to move

forward in negotiating a lease for these specific areas. Member deHaan expressed his desire that EBRPD continue to be involved in the area and asked how the funding stream would be maintained in the future. Mr. Anderson indicated that possibly a small assessment district would have to be established if the project becomes larger. Member Matarrese stated that he would like a long-term commitment from EBRPD for the area. The consensus among ARRA members and EBRPD was the first priority is extending the Bay Trail from the boat ramp along the beach to the Hornet; if additional funds remain, the other areas will be considered.

Member Matarrese motioned that EBRPD make improvements on the Bay Trail from the existing boat ramp as far north as possible, including cleaning up the beach. If additional funds remain, they would be used for the picnic area and former RV parking lot. Staff was directed to negotiate a lease with EBRPD to accomplish this. Member Daysog seconded the motion, and the motion passed unanimously.

3-B. Alameda Point Project Update.

Debbie Potter, Acting Alameda Point Project Manager, gave an Alameda Point update presentation to the Board. The presentation included a chronology of the ARRA's negotiations with the Navy and an explanation to the community on how we went from “no cost” to paying \$108.5 million for the Navy property. Ms. Potter also discussed the master developer, APCP's, election not to proceed with the project and presented staff's recommendation for an initial next step.

Ms Potter summarized the genesis of how we got from a no cost EDC to a 108.5 million dollar purchase price: She explained how the ARRA's PDC and the general plan call for over 3 million square feet of commercial development. In January 2004, however, the Navy sent a letter requesting that we submit a formal amendment to our “no-cost” EDC application to formerly make the case about why we felt like we continued to be eligible for a “no-cost” EDC. The Navy's letter further stated that it could not continue to work with us to negotiate on our early transfer without such an amendment. The letter also said that they were more than happy to negotiate a “for-cost” EDC with the ARRA. Because the Navy would be the ultimate entity to deciding whether or not we were still eligible for the no cost EDC and because they had clearly communicated to us that they felt we were no longer eligible and because legislation was in the works to preclude no cost EDC's in the future, the ARRA made a decision that it would be more effective if we sat down and negotiated with the Navy for a “for-cost” conveyance. We started our “New Beginnings” with the Navy in 2004 but the federal government also eliminated no cost economic development in 2004 and none of the bases that are closed as part of the BRAC 5 are going to be eligible for a no cost economic development conveyance, most of those properties are going to be disposed of as is where is. So it took us a little over 2 years to negotiate with the Navy to prepare the PDC and to negotiate a land price. And in June of this year we concluded negotiations with the Navy with a draft term sheet that included a \$108.5 million dollar purchase price. On September 21st, APCP withdrew from the project, citing the downturn in the residential market and that they could no longer support the \$108.5 million line price given the land plan.

With that negotiation process and chronology behind us, and the withdrawal of our Master Developer, Staff is proposing, as the initial next step, that we test the market through a request for qualifications (RFQ) process with the current term sheet. In the event that we are unable to identify a replacement development then we would work with the Navy on an alternate disposable strategy, most likely a public sale, an approach that the Navy had been taking of late.

Chair Johnson asked about the on-going work with the Navy, in the event that a buyer under the current term sheet doesn't come forward. Ms. Potter answered that we will continue to run our leasing program, and the Navy will continue to run its environmental clean up program. Chair Johnson also asked about the cost of working with the Navy to move forward with alternatives if a replacement developer isn't identified. Ms. Potter explained that the ARRA's budget did consider a scenario where the master developer didn't go forward and staff is funded in the ARRA budget and consultants would probably need far fewer consultants than we've had when we've been in activity negotiations on a term sheet and those kind of things, but we would still need to work with our environmental consultant and our outside counsel, those costs are included in the ARRA's budget.

To answer Chair Johnson's question about what types of consultants would we still continue to need, Ms. Potter answered that we would continue to use an environmental consultant because we comment on all of the Navy environmental clean up documents. Chair Johnson asked if we should ask the Navy to pay for the consultants at that point.

David Brandt, Deputy Executive Director, clarified that these are consultants that we use to protect the City's interest when it comes to the work that the Navy's doing on clean up as well as if there gonna be issuing opinions about the tidelands trust, then we need to have our experts weighing in about the tidelands trust and where we believe the legal issues are and those kinds of things.

Member Daysog began a discussion regarding the ARRA's no-cost EDC agreement with the United States Navy. He referenced several paragraphs of the Navy's letter to Debbie Potter dated April 7, 2003 regarding the basis for the Navy approval of a no cost EDC. Member Daysog is very concerned about the \$108 million purchase price, stating that if APCP couldn't work it through, that it would be difficult to find a replacement master developer. He'd rather see the \$108 million go toward public amenities that have been contemplated.

The Chair, Boardmembers and Staff discussed, at length, the challenges we faced and the available options we continue to deal with in order to move forward. Member deHaan and Chair Johnson discussed researching a concept that looks at phases in the future to anticipate changes in the market. The Board also expressed their interest in going back to a no-cost EDC (build less residential), but Ms. Potter explained that, according to the Navy, a no-cost EDC was dead, because a project that included less residential was not economically viable. She said, however, that if the ARRA desires, we could continue discussions with the Navy about convincing them that were still eligible for our no cost EDC. She further discussed that the ARRA does have an agreement, an executed MOA with the Navy, but that the Navy is going to require us to submit an amendment to that no cost EDC.

David Brandt further clarified the more fundamental legal problem which is, we would have to amend our EDC application and unfortunately, the Navy will argue that there's no more legal authority over a no cost EDC so we would be essentially be giving up our no cost EDC.

Chair Johnson and Member Matarrese would like more information and analysis about whether we are legally able to hold the Navy to the existing no-cost EDC agreement.

Member Daysog expressed the importance of involving the public so that the \$108 million isn't spent on projects that veer so far away from the community resource reuse plan and the public amenities that have already been contemplated. Ms. Potter addressed Member Daysog's concern by noting that the negotiated price of \$108.5 million was based on a proforma that provided fiscal neutrality, provided for the sports complex, provided for the open space, provided for 25% affordable housing, so all of the goals that has been identified over the years were taken into account and provided for with that land purchase price. Granted that tax increment was pledged to the project that was part of it too, but it provided in all of the transit, the shuttle, the ecopath is all of the things that have been talked about over the last several years, were all accounted for in the proforma that had the \$108.5 million dollar land purchase price.

Member deHaan asked about the process used at other closed military bases, including Mare Island and the Presidio. David Brandt explained that the Presidio was conveyed under a trust but that federal legislation is needed for that. Mr. Brandt said that we could approach our delegation to ask if that's feasible.

The first speaker on this item, Pam Telschow, expressed how glad she was that the ARRA was going back to consider every option and that they are not just going to jump into looking for a new Master Developer. Chair Johnson expressed her opinion that she felt it was a remote possibility that another developer would just step right in where APCP left off. The second speaker, Helen Sause, also echoed Ms. Telschow's concerns and the direction of the Board, urging them to select and find those developers that have very deep experiences in commercial, light industrial retail, and other forms of development. She also suggested that the selection process involve the community. Chair Johnson wanted the public to have a full understanding that although the Development Services Dept. has received numerous inquiries, those inquiries may not be viable. The third speaker, Elizabeth Kruse, recommended we find a master developer that would keep keeps more of the historic buildings.

Member Matarrese commented that he is heartened by the attendance of tonight's meeting and that it's very important that we also look at the strength of our controls on the planning and our city restrictions on development. He further stated that the comments from the speakers are valuable and would like to see them translated into where we go forward. Member Daysog commented that it's absolutely vital for the City of Alameda through the ARRA to continue to be a leader in converting the base and to not allow the Navy to be in the drivers seat through a public action process. There was further discussion about the caretaking of the property and requesting that the Navy return to those responsibilities.

Debbie Potter summarized the direction from the Board and other issues to explore: researching the legality and shear logistics of the numbers to see if we can revert back to a no-cost EDC; the

parallel path of moving forward with an RFQ process to see if there is a developer who wants to step into the existing field; a public sale; federal legislation on a trust; caretaker issues, etc.

A motion to initiate an RFQ and to reevaluate all other options discussed was motioned by Chair Johnson and seconded by Member deHaan and passed by the following voice vote: Ayes – 4; Noes – 0; Abstentions – 0.

4. ORAL REPORTS

4-A. Oral report from Member Matarrese, RAB representative.

Member Matarrese attended the September 7th meeting, highlighting issues regarding additional radiological testing of sites 1,2, and 32. There was also an update on site 25, the Coast Guard north housing and a observation of a violation of the marsh crust ordinance (trenching and digging). Member Matarrese would like the City to investigate further.

ORAL COMMUNICATIONS, NON-AGENDA (PUBLIC COMMENT)

None.

6. COMMUNICATIONS FROM THE GOVERNING BODY

Per Member Matarrese's earlier discussion of the RAB meeting regarding Site 25, Member deHaan requested an update at the next regular ARRA meeting on the status of Site 25.

7. ADJOURNMENT

Meeting was adjourned at 9:20 p.m.

Respectfully submitted,

Irma Glidden
ARRA Secretary